

ERG-4264/a

DD-261-1825

On file OMB release instructions apply.

7 JUN 1961

and
Honorable Joseph Campbell
Comptroller General of the United States
Washington 25, D. C.

Dear Mr. Campbell:

I was pleased to note in your letter of 23 May 1961 that you have decided to continue your limited audit of CIA activities pending further discussion. In this connection, the House Committee on Armed Services has informed us that this matter will be the subject of future consideration by Mr. Kilday's Subcommittee, the General Accounting Office and the Central Intelligence Agency. We look forward to participating with you in these discussions. If you feel that it would be profitable for us to have preliminary meetings prior to consideration by the Subcommittee, we are available at any time.

Sincerely,

SIGNED

Allen W. Dulles
Director

O/COMPT:RHF:ss
Rewritten:DD/S:LKW:laq
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CONCUR:

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L. K. White
Deputy Director
(Support)

1 JUN 1961



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COMPTROLLER GENERAL OF THE UNITED STATES
WASHINGTON 25

61-4264

B-133200

May 23, 1961

Honorable Allen Dulles, Director
Central Intelligence Agency

Dear Mr. Dulles:

We acknowledge your letter dated May 17, 1961, responding to our letter of May 16 to you relating to our reviews at the Central Intelligence Agency.

We acknowledge also your appreciation in our joint attempt to expand the General Accounting Office activities at the Central Intelligence Agency and your comment that the reviews made by our representatives have been helpful. As noted in our letter of May 16, 1961, we do not believe that we have had sufficient access to permit us to make reviews sufficient in scope to be helpful to the Congress and for this reason we planned to discontinue the audit at this time. Your letter notes that over the years the work of the General Accounting Office has been most beneficial to you.

We believe it is appropriate here to clarify the scope of our work program preceding the reviews that were undertaken following our exchange of letters in October 1959.

Following the enactment of the Central Intelligence Agency Act in 1949, the then Director of the Agency requested that notwithstanding the very broad and unusual powers granted to the Central Intelligence Agency by the act an audit of expenditures at the site as previously performed by the General Accounting Office be continued. Accordingly the General Accounting Office continued to make audits of vouchered expenditures under the same arrangements that were in effect with the predecessor Central Intelligence Group. In view of the provisions of Section 8 of the Central Intelligence Agency Act no exceptions were taken to any expenditures but questionable payments coming to our attention were referred to the CIA Comptroller's Office for corrective action. We did not make a substantive review of Agency policies nor of its practices and procedures and we made no audit of expenditures of unvouchered funds.

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However, at the time of the enactment of CIA legislation in 1949 we were in the process of applying the comprehensive audit approach to the activities of most Government agencies. Under this audit approach our basic purpose is to review and evaluate the manner in which the agency or activity under audit carries out its financial responsibilities. We construe financial responsibilities as including the expenditure of funds and the utilization of property and personnel in furtherance only of authorized programs or activities in an effective, efficient and economical manner. In carrying out this type of audit we examine the organization's structure and review the established agency policies for conformity to legislative intent and applicability to agency activities. We also examine agency practices and procedures followed in carrying out the agency policies and make a selective examination of actual transactions as a means of appraising the application of agency practices and procedures. It was this kind of a review that we proposed for the Central Intelligence Agency in accordance with whatever agreement we could reach with you as to access to the records. Our work during the last 18 months has demonstrated to us that under existing security restrictions we do not have sufficient access to make comprehensive reviews of CIA activities on a continuing basis that would be productive of evaluations helpful to the Congress.

We deeply appreciate your interest in the possibility of continuing our work at the Central Intelligence Agency on some scale and we are prepared to discuss this prospect at your convenience. For the present and pending discussions with you and appropriate congressional interests, we will continue our limited program.

Sincerely yours,



Comptroller General
of the United States

~~CONFIDENTIAL~~

General Cabell *cf*

MEMORANDUM FOR: Mr. Dulles

Attached hereto is a proposed reply to the Comptroller General's letter of 23 May concerning GAO audit of CIA activities.

Recommend signature.

L. K. White
Deputy Director
(Support)

1 Jun 61
(DATE)

cc: DDCI

FORM NO. 101 REPLACES FORM 10-101
1 AUG 54 WHICH MAY BE USED. (47)

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MEMORANDUM FOR: Mr. Dulles:

A copy of this letter has already been sent to the DD/S for information and necessary action. Attached is a copy of your 17 May letter to Mr. Campbell.

After you have noted, we will show this to General Cabell.


24 May 61
(DATE)

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MEMORANDUM FOR: Mr. Dulles

Chairman Vinson's letter to Mr. Campbell
was dated 18 May and is attached at Tab A.

 25 May 61)
DATE)

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